State Facilities Legislation

The State of Iowa Facilities Improvement Corporation, a non-profit corporation staffed by the DNR, was created to facilitate the use of lease-purchase financing for energy management improvements by state agencies. While many of Iowa's state agencies have traditionally practiced sound energy management, lack of funds prevented installation of many energy-saving improvements. To address this problem, Iowa Code 7D.34 was passed authorizing state agencies to employ lease-purchase financing to make energy management improvements. Lease-purchase financing does not require a referendum and enables state agencies to obtain economically prudent energy management improvements while avoiding the lengthy referendum process. Similar language was created in Iowa Code 473.20A. Since there are slight differences between these code sections, Iowa Code 12.28(6), which discusses centralized financing for state agency purchase of real and personal property, clarifies that financing agreements for an energy conservation measure are subject to either the requirements of 7D.34 or 473.20A. The State of Iowa Facilities Corporation chooses to work within the requirements of 473.20A.

The energy loan fund created in 473.20 states that loans shall be made for all cost-effective energy management improvements. Iowa Administrative Code 565—6.1(2) further defines cost-effective to mean that an energy management improvement will, within the useful life of the improvements, generate savings sufficient to pay for the total costs of implementing the improvement. An improvement is not cost-effective if the time needed for the savings to pay for the improvement exceeds the expected remaining useful life of the facility in which the improvement is implemented.

Actual legislation:

473.20 Energy loan fund.

An energy loan fund is established in the office of the treasurer of state to be administered by the department.

1. The department may make loans to the state, state agencies, political subdivisions of the state, school districts, area education agencies, community colleges, and nonprofit organizations for implementation of energy conservation measures identified in a comprehensive engineering analysis. Loans shall be made for all cost-effective energy management improvements. For the state, state agencies, political subdivisions of the state, school districts, area education agencies, community colleges, and nonprofit organizations to receive a loan from the fund, the department shall require completion of an energy management plan including an energy audit and a comprehensive engineering analysis. The department shall approve loans made under this section.

2. Cities and counties shall repay the loans from moneys in their debt service funds. Area education agencies shall repay the loans from any moneys available to them.

   School districts and community colleges may enter into financing arrangements with the department or its duly authorized agents or representatives obligating the school district or community college to make payments on the loans beyond the current budget year of the school district or community college. Chapter 75 shall not be applicable. School districts shall repay the loans from moneys in either their general fund or debt service fund. Community colleges shall repay the loans from their general fund. Other entities receiving loans under this section shall repay the loans from any moneys available to them.

3. The department may accept gifts, federal funds, state appropriations, and other moneys for deposit in the energy loan fund or may fund the energy loan fund in accordance with section 473.20A.

4. For the purpose of this section, "loans" means loans, leases, or alternative financing arrangements.

5. The state, state agencies, political subdivisions of the state, school districts, area education agencies, and community colleges shall design and construct the most energy cost-effective facilities feasible and shall use the financing made available by the department to cover the incremental costs above minimum building code energy efficiency standards of purchasing energy efficient devices and materials unless other lower cost financing is available. As used in this section, "facility" means a structure that is heated or cooled by a mechanical or electrical system, or any system of physical operation that consumes energy to carry out a process.

6. The department shall not require the state, state agencies, political subdivisions of the state, school districts, area education agencies, and community colleges to implement a specific energy conservation measure identified in a comprehensive engineering analysis if the entity which prepared the analysis demonstrates to the department that the facility which is the subject of the energy conservation measure is unlikely to be used or operated for the full period of the expected payback of the energy conservation measure.

Section History: Recent form

86 Acts, ch 1167, § 3
C87, § 93.20
87 Acts, ch 209, § 2; 90 Acts, ch 1252, § 12; 90 Acts, ch 1253, § 120; 91 Acts, ch 253, §8
C93, § 473.20
94 Acts, ch 1029, §30; 2001 Acts, ch 60, §1

473.20A Self-liquidating financing.

1. The department of natural resources may enter into financing agreements with the state, state agencies, political subdivisions of the state, school districts, area education agencies, community colleges, or nonprofit organizations in order to provide the financing to pay the costs of furnishing energy conservation measures. The provisions of section 473.20 defining eligible energy conservation measures and the method of repayment of the loans apply to financings under this section.

   The financing agreement may contain provisions, including interest, term, and obligations to make payments on the financing agreement beyond the current budget year, as may be agreed upon between the department of natural resources and the state, state agencies, political subdivisions of the state, school districts, area education agencies, community colleges, or nonprofit organizations.

2. For the purpose of funding its obligation to furnish moneys under the financing agreements, or to fund the energy loan fund created in section 473.20, the treasurer of state, with the assistance of the department of natural resources, or the treasurer of state's duly authorized agents or representatives, may incur indebtedness or enter into master lease agreements or other financing arrangements to borrow to accomplish energy conservation measures, or the department of natural resources may enter into master lease agreements or other financing arrangements to permit the state, state agencies, political subdivisions of the state, school districts, area education

agencies, community colleges, or nonprofit organizations to borrow sufficient funds to accomplish the energy conservation measure. The obligations may be in such form, for such term, bearing such interest and containing such provisions as the department of natural resources, with the assistance of the treasurer of state, deems necessary or appropriate. Funds remaining after the payment of all obligations have been redeemed shall be paid into the energy loan fund.

3. The state, state agencies, political subdivisions of the state, school districts, area education agencies, community colleges, and nonprofit organizations may enter into financing agreements and issue obligations necessary to carry out the provisions of the chapter. Chapter 75 shall not be applicable.

Section History: Recent form

87 Acts, ch 209, §3
CS87, § 93.20A
90 Acts, ch 1253, § 120; 91 Acts, ch 253, §9
C93, § 473.20A

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CHAPTER 6
BUILDING ENERGY MANAGEMENT PROGRAMS

Definitions

"Cost-effective" means that an energy management improvement or package of energy management improvements will, within the useful life of the improvement(s), generate savings sufficient to pay for the total costs of implementing the improvement(s). Under no circumstances is any improvement or package of improvements cost-effective if the time needed for the savings to pay for the improvement(s) exceeds the expected remaining useful life of the building or facility in which the improvement(s) is implemented.